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ABSTRACT

A set of long-term finance principles dealing with student fees, community services, and interdistrict attendance was presented to the Board of Governors of the California Community Colleges for adoption. It was recommended that the Board: (1) oppose any student tuition charges for credit instruction and for non-credit instruction in specified course areas; (2) support a permissive fee charge for community services, that is, a policy that fees for non-credit instruction could be adjusted for those unable to pay, such as senior citizens; (3) retain and increase base budget revenues for community services and provide public funding for one-half of the marginal cost of future changes in community service classes; and (4) liberalize current interdistrict attendance policies to permit students to attend the college and district of their choice, though district residents would have admission priority. Tentative principles for capital outlay funding are discussed, as are issues relating to compensation of part-time faculty, funding for the State Teachers Retirement System, and the "fifty-percent law" dealing with faculty salaries. No recommendations for action on these issues were made. Four appendices present background data and analyses for student fees, community services, interdistrict attendance, and long-term capital outlay. (DR)

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Community College Long-Term Finance Plan

Agenda Item 6

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Chuck McIntyre
Director of Analytical Studies

Office of the Chancellor
California Community Colleges

Presented to the
Board of Governors of the
California Community Colleges
June 21-22, 1979

JC 790 345

Board of Governors of the
California Community Colleges
June 21-22, 1979

Item 6

Title: Community College Long-Term Finance Plan

Staff presentation: Chuck McIntyre
Director of Analytical Studies

Summary

1. This item presents for Board adoption a set of long-term finance principles dealing with student fees, community services, and interdistrict attendance.

2. Staff have drafted legislation based on prior Board action in February and April and work continues on the technical details of those policies. The overall level of support being sought for community colleges under the Board's proposal will be reviewed at the Board meeting in light of recent projections. The rapidly changing status of finance legislation is covered in the staff's legislative report, also on this meeting's agenda.

3. Support for community services is recommended along with a permissive fee policy. Tuition for instruction would continue to be opposed.

4. Staff recommends a liberalization of interdistrict attendance policies with controls administered locally to avoid problems that could result from free-flow.

5. This item also discusses a number of issues surrounding the use and compensation of community college staff, but no action is recommended.

6. A first draft of long-term principles for funding community college capital outlay is presented for Board discussion. Work continues and staff will present recommendations on this last component of the long-term finance plan for Board adoption in July.

Recommended action

The Board should adopt the long-term finance principles recommended in this item.

LONG-TERM FINANCE PLAN

BACKGROUND

In February and April, the Board of Governors adopted that portion of its long-term plan dealing with the topics shown in the schedule below. Staff has drafted legislation to implement those policy principles. Action by the Board on final aspects of the long-term plan is recommended for the June and July meetings of the Board.

February	April	June
(1) mission, goals, and priorities		
(2) support techniques a. operating	(2) support techniques a. workload measure	(2) support techniques a. capital outlay
		(3) level of support
(4) sources of support a. operating budget	(4) sources of support a. student charges	(4) sources of support a. clarification of position on fees b. community services c. capital outlay
	(5) accountability	
	(6) resources	(6) resources a. interdistrict attendance b. fifty percent law c. budget timing d. part-time faculty e. salary freeze f. STRS

SUMMARY

Staff proposes that the Board adopt recommended principles dealing with student fees, community services, and interdistrict attendance.

Student Fees

1. *Oppose any student charges (tuition) for instruction, defined as follows:*

   Instruction includes all classroom lecture and laboratory instruction and independent study offered for credit as well as noncredit instruction in the areas of adult basic education; English for foreigners; citizenship for foreigners; vocational and occupational training and retraining, including apprenticeship; special courses for handicapped adults; and courses designed for or primarily attended by senior citizens.

2. *Support a permissive fee charge, consistent with Board policy on such fees, for community services, defined as follows:*

   Community services include all noncredit instruction classes, cultural, recreational and civic center activities exclusive of that defined under instruction above. Such services include activities currently authorized by the Education Code.

Community Services

1. *Retain and increase (for inflation) base budget revenues formerly derived for community services. Provide public funding for one-half of the marginal cost of future changes in community services classes, including certain noncredit classes formerly funded under instruction (those currently categorized as "non-state funded"). Do not restrict use of funds derived. Allow fees to be charged for the unsupported portion of community services classes and all other community service activities. Fees should be adjusted for those unable to pay.*

2. *Establish community services as one of the statewide objectives to be treated in the proposed planning and accountability process.*

Interdistrict Attendance

1. ***Liberalize current policies, beginning 1981-82.***

   (a) permit students to attend the college and district of their choice, subject to available facilities and affording admissions priority to district residents;

(b) *adjust district base budgets or mandate transfer of local funding involved in enrollment shifts;*

(c) *allow districts to restrict outward flow of residents after their number exceeds 10% of prior year enrollment; and*

(d) *require assessment of results of policy change after three years.*

Tentative principles for capital outlay funding are discussed in this item and staff will present recommendations for Board adoption in July.

Also discussed in this item are issues surrounding the use and compensation of part-time faculty, funding for the State Teachers Retirement System, and the "fifty percent" law. Staff does not suggest Board action on these issues at this time.

Many problems encompassed in the final area of the long-term plan, "interinstitutional coordination," will be addressed as legislation and regulations are enacted to implement the planning and accountability process previously adopted by the Board. It is suggested, however, that consideration of the delineation of functions between community colleges and elementary/secondary schools, on the one hand, and community colleges and other institutions of postsecondary education, on the other hand, be deferred until the consequences of short and long-term finance legislation can be assessed accurately.

Presentation of this agenda item will include discussion of the overall level of support sought in the Board's proposed long-term finance proposal. Community college funding simulations will be analyzed in light of the "May revision" of revenue projections by the State Department of Finance as well as revenues expected to be available in the event the Gann initiative or some other spending limitation is enacted.

STUDENT FEES

In April, the Board of Governors adopted the following policy relative to student charges as a source of support:

1. Reject use of tuition for California residents.

2. Maintain existing permissive student fees, and

   a. insure that fee revenues are used to support only those services for which the fees are levied, and

   b. adjust the charges for those unable to pay.

An inconsistency in this position is that one of the more than twenty "existing permissive student fees" is a charge for noncredit instruction in certain "non-state supported" classes and can be regarded as a "tuition for California residents."

It is suggested that the Board clarify this position by taking the following actions:

(a) oppose any student charges (tuition) for instruction, defined as follows:

> Instruction includes all classroom lecture and laboratory instruction and independent study offered for credit as well as noncredit instruction in the areas of adult basic education; English for foreigners; citizenship for foreigners; vocational and occupational training and retraining, including apprenticeship; special courses for handicapped adults; and courses designed for or primarily attended by senior citizens.

(b) support a permissive fee charge, consistent with Board policy on such fees, for community services, defined as follows:

> Community services include all noncredit instruction classes, cultural, recreational and civic center activities exclusive of that defined under instruction above. Such services include activities currently authorized by the Education Code.

This is consistent with proposed Board policy on community services and existing legislative policy relative to fees for certain types of noncredit instruction such as recreation and crafts.

The Education Code permits community colleges to charge students more than twenty different fees for various kinds of services, ranging from field trips to changes in program. A significant new fee for 1978-79 is the charge for certain noncredit courses. Also, there has been a significant increase in community service class fees. Last year's average of $10 per class has increased to an average of nearly $15 per class this year and revenues from this source are expected to increase by more than fifty percent. These and other fee increases are described in Appendix A.

All fees are permissive. Districts do not have to charge a fee and may support a particular service from general revenue if they prefer. However, specific fee revenue should not be used to support servcies other than those for which the fee is levied.

Fees represent a cost to students just as tuition would. It is important, therefore, that the ability of individual students to pay these fees be determined. This is particularly important for part-time students who do not have access to compensating financial aids.

Experience this past fall with fees for noncredit courses tends to support these findings. Twenty districts levied fees averaging $15 per course, although the variation in charges between districts was dramatic. While expected student fee revenues (an estimated $870,000 statewide) were not significant, the impact upon enrollment in fee-supported classes appears to have been significant. Approximately 2,000 such noncredit courses for which fees could be charged were scheduled to be offered during fall 1978. Nearly 900 of these courses were cancelled subsequently because fees were charged and resulting enrollments were insufficient to make the courses self-supporting.

The aging were affected dramatically by 1978-79 fee charges along with program cuts. Many courses, attended primarily by seniors, were shifted from instruction to community services where a fee was levied - followed, in some cases, by cancellation of the course. Enrollment of those greater than sixty years-of-age declined by 41 percent and those in their fifties by 24%, both losses significantly greater than that (11%) which occurred among the general student population. Consequently, it is suggested that courses designed for or primarily attended by seniors be included among those courses eligible for full public support without fee charge.

COMMUNITY SERVICES

The post-Proposition 13 "bail out" legislation appropriated funds for 1978-79 equivalent to 92 percent of those local tax revenues appropriated for community services. In spite of this, community service budgets and activities appear to have been cut by approximately one-half. (See Appendix B)

A survey of 75 colleges indicated the overall reduction in community service activities, other than courses, was about 55 percent. Greatest cutbacks were made in art, music and dance programs, which were reduced from 60 percent to 75 percent of their 1977-78 level.

Traditional community service courses and lectures were reduced by about one-fourth. At the same time, due to the loss of state support, nearly 500 noncredit courses were shifted from instruction to community service. The net increase in community service courses statewide is about 400 sections (20 percent). This occurred in spite of the fact that nearly 700 sections were eliminated because of Proposition 13 budget restrictions and another 500 sections were dropped because of low enrollment attributable to levied student fees.

Prior to Proposition 13, California policy on community colleges resulted in the following distribution of $38 million in community service income during 1977-78:

fees and admissions	7.8%
rentals, permit fees	1.3
tax revenues	88.7
public grants	0.7
other	1.5

All states devote tax revenue for support of community services. Nationwide, greatest reliance is placed upon fees with state tax funds ranking second. Western colleges, weighted significantly for the former 5¢ local levy in California, recorded greater use of local tax funds, followed by state tax funds.

General Board of Governors' policy on long-term finance stresses a "strong community-orientation " for colleges and acknowledges the function of community education. In addition, provision was made in the long-term finance principles, adopted by the Board in February, to provide for funding of possible changes in community services. In theory, a significant amount of funding, for community services purposes, remains in community colleges' base budgets.

In order to recognize community services as an important contribution of community colleges to the life-long learning of Californians and provide incentives for the conduct of community services, staff recommends Board of Governors' adoption of the following two principles:

1. Retain and increase (for inflation) district revenues formerly derived for community services. Provide public funding for one-half of the marginal cost of future changes in community service classes, including certain noncredit classes formerly funded under instruction (those currently categorized as "non-state funded"). Do not restrict use of funds derived. Allow fees to be charged for the unsupported portion of community service classes and all other community service activities. Fees should be adjusted for those unable to pay.

2. Establish community services as one of the statewide objectives to be treated in the proposed planning accountability process.

Alternative policies for community service funding include such options as the following:

-Provide community service funding at 90 percent of 1977-78 levels in a designated program budget. If funds "intended" for community services were not so used by districts, they would be subtracted from the following year's budget allocation.

-Transform community services to a categorical aid program, similar to EOPS.

Neither option is consistent with Board of Governors' policy for long-term finance, adopted in February, calling for

"...minimum restrictions on use by districts of base budget funds consistent with appropriate accountability for state educational interests."

INTERDISTRICT ATTENDANCE

Districts must enroll their own residents but need not enroll those individuals residing in other districts. Interdistrict attendance of community college students is governed by a complex of agreements and individual permits and only "guaranteed" if students cannot obtain desired programs in their resident districts.

Students enrolled on an interdistrict basis are more often white and male, take relatively lighter academic loads, and are typically older than the resident student population (see Appendix C). There is extreme variation in the relative numbers of interdistrict students enrolled in specific districts. Most such attendance is concentrated in urban or suburban areas where commuting between districts is possible. (Students can establish their own residency and avoid the need for an interdistrict permit, if they actually move).

The numbers of such interdistrict students were relatively constant at the beginning of this decade. After a one year decline in 1972, the number of such students has doubled and now comprises nearly 8% of total enrollment statewide or over 40,000 ADA.

Each year, there are reported instances where students are unable to attend the college of their choice because it is in another district and they are not able to obtain a permit. The overall impact of this policy upon student access is uncertain, however. Four of every five requests for individual interdistrict attendance permits are granted. There appear to be less than 4,000 permit denials throughout the state each year. Only in a few counties are permit denials appealed, as provided by law, to the County Board of Education, where the success rate is eighty percent.

In an effort to solve possible student access problems, two proposals were originally presented by Chancellor's Office staff: closest college and free-flow. These policies were discussed with field representatives and a survey made of 26 districts known to have difficulty with existing interdistrict attendance agreements. Twenty-one districts responded to the survey: 13 favor free-flow, two favor closest college, and six favor no change in present policy.

Staff proposed a modification of existing interdistrict attendance policies (not free-flow) for Board endorsement in April. After prolonged discussion, the proposal was deferred to June.

Free-flow of students between districts would enhance access. It also, however, would cause significant enrollment shifts among certain districts which, in turn, could result in (a) temporary under- or over-utilization of staff and facilities, (b) racial and ethnic imbalances, (c) a significant loss of students in certain small districts, (d) counter-productive competition, (e) discrepancies between trustee areas and the actual areas of student enrollment, and (f) for some colleges, a change in the "community" served.

If alternative policies for interdistrict attendance are preferred over the status quo, two factors need consideration:

(a) changes in interdistrict admissions requirements should not be implemented prior to one or two years after the introduction of new long-term finance policies, and

(b) interdistrict admissions policies should be implemented by local districts, not by state authorities.

Staff proposes Board adoption of the following principles:

- Liberalize current policies, beginning 1981-82:

  (a) permit students to attend the college and district of their choice, subject to available facilities and affording admissions priority to district residents;

  (b) adjust district base budgets or mandate transfer of local funding involved in enrollment shifts;

  (c) allow districts to restrict outward flow of residents after their number exceeds 10% of **prior** year enrollment; and

  (d) require assessment of results of policy change after three years.

This proposal should improve access and, at the same tiem, avoid most of the problems expected to result from free flow. District base revenues should be adjusted for the net tuition transfer (excluding that for capital outlay purposes) recorded by the district during the base year prior to implementation of the policy. Tuition transfers are the local dollars that are now paid voluntarily from sending districts to receiving districts for interdistrict enrollment. Changes in attendance following implementation of the policy would be funded at the standard marginal support rate. The prior year enrollment base for provision (c) should include all district residents whether enrolled within the district or in another district.

A variation on this option would be to condition student choice by guaranteeing movement only if (a) they can't get their program in their district of residence and/or (b) their residence is closer to a college in another district.

Other options include:

1. Continue study of policy options for two years, with an alternative interdistrict policy scheduled for implementation beginning 1982-83. Study could include

   (a) possible pilot experiment(s);

   (b) review of consequences of new long-term finance policies; and

   (c) limit reductions of existing interdistrict agreements.

2. Mandate district payments of tuition transfers.

3. Establish free-flow of students between districts within each county.

4. Establish free-flow of students between districts throughout the state.

Option #1 constitutes a possible second-best policy choice while the other three options either do not enhance access (#2) or create more problems than they solve (#3 and #4).

STAFF RESOURCES

Among the Board of Governors' goals are those calling for

- effective use of human and physical resources
- fostering of staff excellence

Crucial to the achievement of these goals is strong local decisionmaking. This is fostered by minimizing the state-level constraints on the way in which colleges plan, manage, and schedule their human resources.

Decisions on staff hiring and compensation along with selection of methods for delivering instruction and support services should continue to be made locally. The finance plan should modify existing policies, where necessary, in order to allow districts to achieve more effective development, utilization, and maintenance of existing and future community college resources.

Fifty Percent Law

Effective allocation of scarce funds for staff can be enhanced by removal or modification of many existing constraints in the Education Code. Such constraints frequently deal with staff utilization and compensation. Matters of this kind are appropriately determined by local collective bargaining. Once the bargaining process is fully implemented in community colleges, arbitrary statewide legal constraints can be considered for removal or modification.

An example of such constraints is the "fifty percent law" which requires that at least half of the current college cost of education be devoted to the salaries of instructors. The original intent of this law was to ensure that an adequate proportion of college resources be allocated to instruction. There are indications that the law may constrain instructional innovation by excluding certain student service and library personnel. Requirements of this law are becoming increasingly difficult to meet since it fails to recognize fixed costs. The exemption process is cumbersome and existing sanctions do not appear effective in correcting violations.

Since collective bargaining is not in place in many districts, the appropriate policy consideration is a modification to the fifty percent law, possibly

to add certain student personnel service and library staff. This option should be reviewed in light of possible consequences resulting from implementation of the Board's long-term finance proposal.

Budget Timing

Full-time certificated staff must be first notified by March 15th with a final decision on May 15th if they're not to be rehired for the following academic year. Nearly all districts face difficulties with the layoff deadlines this spring since funding levels for 1979-80 will not be known until June. Even with normal funding in the future, some districts will decline in enrollment and face layoff decisions.

The March and May deadlines appear to be appropriate. Therefore, the support technique incorporated in the long-term plan proposes a statutory funding formula in which a district's funding for inflation, the bulk of its budget change, is known for the most part by that March preceeding the fiscal year for which budget planning is well underway.

Part-time Faculty

It's estimated that community college part-time faculty exceeded full-time faculty by a ratio of about two to one prior to Proposition 13. Due to budget cutbacks, nearly 7,000 or one-fourth of the part-time faculty were not rehired this past fall. Even so, there are still about 23,000 part-time and 15,000 full-time faculty teaching in California Community Colleges at present.

The status of part-time faculty is unclear. Appropriate sections of the Education Code are subject to varied interpretations and several recent court rulings have added to the confusion. There are differing opinions about the proportional compensation which part-time faculty should receive compared to that received by full-time faculty. While collective bargaining may resolve this problem at the local level, there is still discussion of state-mandated prorata pay. Another issue concerns the practice of having some full-time faculty teach also part-time on an overload basis.

The salary and tenure status of part-time faculty was addressed by the California Supreme Court in Peralta Federation of Teachers vs. Peralta Community College District on May 25, 1979. That decision held that those part-time instructors hired after November 8, 1967, do not acquire permanent status and are not entitled to pro rata pay. The court also decided that part-time faculty hired before November 8, 1967, do acquire permanent status and are entitled to some retroactive pro rata pay.

The number of part-time faculty statewide that could be entitled to retroactive pay and permanent status based on as a result of the Peralta decision is indeterminate at this time due to conditions relating to statutes of limitations, the November 8, 1967 cut-off date, and a lack of data. It appears that only a very small portion of all presently employed part-time instructors would be directly affected.

Present Board of Governors' policy advocates equal pay for equal work and a limit on the amount of instruction that any district offers using part-time faculty. Assuming that one-third of all faculty contact hours are attributable to part-time instructors and assuming further that these instructors are remunerated at 50 percent of pro rata pay, the cost of implementing the Board's policy would be as much as $90 million.

It is suggested that the Board not include a specific proposal on part-time faculty as part of the long-term finance legislation. The Board should consider re-examining of its policy in light of the Peralta court decision and study the matter more completely when details of long-term finance legislation are settled.

Salary Freeze

Another added cost for staff has to do with this year's "salary freeze." This action created a gap in staff compensation which put colleges at a competitive disadvantage with respect to other private and, in some cases, public agencies when bidding for competent staff. There have been reported cases of staff shifting from colleges to other agencies.

The California Supreme Court ruled, in February, that the salary freeze imposed by the Legislature on 1978-79 salaries of local government was (a) an inappropriate intrusion into local control and (b) unconstitutional where it invalidated salary adjustments contained in contracts implemented prior to enactment of the legislative statute. Consequently, community college districts with prior contract obligations have moved to grant salary increases for 1978-79. Other districts have or are in the process of considering 1978-79 salary adjustments. Early results from a survey by the Community College Trustees Association indicates that 51 districts have increased certificated salaries for 1978-79 by an average of six percent over the prior year. All but a half dozen of these districts made increases retroactive to July 1, 1978. One district settled, but with no increase. The remaining eighteen districts are still in negotiations.

STRS

Still another potential future cost has to do with funding necessary to make State Teachers' Retirement System (STRS) actuarily sound. There are indications that the STRS is underfunded, partly due to contribution rates and also due to the number of retirements that will occur during the next two decades as a result of the rapid growth during the 1950's and 1960's.

Funding for the "state-funded" portion of community college STRS is derived from a formula which produces approximately $7.5 million this year. Prior to Proposition 13, the local contribution was derived from a permissive property tax of up to 5¢ per $100 of assessed valuation, based upon the amount needed to raise 8 percent of STRS members' salaries. This amount was brought forward, like other components of local revenues, at the rate of approximately 92% of 1977-78 funding, or about $32.5 million statewide.

The total unfunded liability of STRS is estimated to be $9.2 billion as of June 30, 1978. At current funding, the liability is growing at the rate of nearly $1 billion per year. In order to stem this growth in the liability, a combination of state and local funds totalling just over 21% of annual salaries would be required. The current contribution rate is less than 17%. The Legislature has called for a report detailing the appropriate responsibility of the state, districts, and employees for the liability. That report will be forthcoming later this year.

This funding problem affects elementary and secondary school teachers as well as community college teachers. Consequently, a comprehensive solution to the system's funding problems is being developed by the Legislature apart from other long-term finance proposals. The Board need not act on specific policy at this time.

CAPITAL OUTLAY

Passage of Proposition 13 eliminated the local tax that enabled districts to match state appropriations to fund facilities under the Community College Construction Act. In recent years, the Legislature has appropriated only a portion of the state funding justified by the physical plant utilization standards that implement the Construction Act. The Department of Finance relies on project priorities that have been at variance with those used by the Board of Governors and Chancellor's Office.

The Construction Act emphasizes new construction on college campuses. California demographics suggest there will be relatively less need for construction of new community college facilities during the 1980's. Increasingly, funding is needed for plant maintenance, remodeling or alterations, and lease or rental of temporary facilities off-campus.

It is clear that the Construction Act needs to be rewritten and sources of capital outlay support secured. These problems are being addressed by staff with the help of college capital planners.

These issues and possible solutions have been discussed by the Chancellor's study group on long-term capital outlay planning and financing. Appendix D discusses a series of tentative principles which will undergo further review by Chancellor's Office staff and the study group. Staff will present recommendations for Board action in July.

In general, study group discussion suggests that the community college capital outlay program should:

(a) provide districts with the maximum flexibility feasible for planning and managing their facilities,

(b) encourage effective utilization of existing college and community facilities, and

(c) reduce the existing, detailed state-level project review by shifting the emphasis of state activity from detailed pre-audits of proposals to (1) formula-based determinations of capital outlay need, (2) post-audits of facility utilization, and (3) general space management efforts along with assistance to local districts.

In addition, priorities must be explicit and recognize the increasing importance of remodeling, alterations, and major maintenance in contrast to the decreasing importance of new construction. Capital outlay plans would form an integral part of the annual comprehensive plans and updates submitted by districts to the Chancellor's Office under the planning and accountability procedure adopted by the Board in April as part of the long-term finance plan.

APPENDIX A

STUDENT FEES AND CHARGES

STUDENT FEE CATEGORY (Education Code Authorization)	No. of Districts Levying Any Fees or Charges FY 1977-78	Dollar Amount Of Average Fee Charged to A Student Prior to June 6, 1978	No. of Districts Levying Any Fees or Charges FY 1978-79	Dollar Amount Of Average Fee Charged to A Student After June 6, 1978	Changes		NOTES
					No. of Districts	Cost	
Insurance Benefit for Athletes (32221)	8	6.88/sem.	8	9.06/sem.	0	.27	1
Library Materials (72237)	6	0.67/stu.	6	0.67/stu.	0	0	2
Physical Education (72245)	13	8.98/stu.	15	9.21/stu.	2	.23	
Health Fees (72246)	41	4.89/stu.	45	5.38/stu.	4	.49	
Parking Fees (72247)	21	7.57/stu.	24	8.48/stu.	3	.91	
Transportation (72248)	3	3.67/stu.	4	2.76/stu.	1	(-).92	3
Program Changes (72250)	6	1.00/change	9	1.00/change	3	0	
Late Application (72251)	9	2.06/sem.	10	2.05/sem.	1	(-).01	
Field Trips (72640)	3	14.70/trip	4	22.31/trip	1	7.60	
Field Trip Insurance (72641)	1	3.00/sem.	1	10.00/sem.	0	7.00	
Nonresident Tuition (76140)	67	36.73/unit	67	42.35/unit	0	5.63	
Student Records (76223)	43	.92/record	44	1.00/record	1	.08	4
Medical/Hospital Service (76470)	4	1.91/sem.	4	1.88/sem.	0	(-).03	
Community Service Classes (78305)	30	10.10/class	45	14.56/class	15	4.46	5
Noncredit Classes (78462.5)	7	11.40/class	20	14.75/class	13	3.35	6
Child Development Centers (79121)	29	.55/hr.	29	.64/hr.	0	.09/hr.	7
Student Dorms (81670)	10	531/sem.	10	574/sem.	0	43/sem	
Transportation: Adult Students (82305.5)	0	-	0	-	0	-	
Student Activities	49	7.78/sem.	49	8.01/sem.	0	.23	
Instructional Materials	31	7.56/sem.	33	9.03/sem.	2	1.47	
Other	7	3.18/sem	8	4.16/sem.	1	.98	8

1. 1 dropped - 1 added
2. No change
3. One district did not levy fee in 1977-78 but cancelled service in 1978-79. Another reduced fees. One added a fee per student ride.
4. One district cancelled fees; two added fees.
5. One cancelled services; sixteen added fees.
6. One cancelled service; fourteen added fees.
7. Two cancelled service (one of which had not charged fees); one added fees.
8. Two added fees; one is restudying this fee.

APPENDIX B

COMMUNITY SERVICES

(This position paper was prepared by Jackie Ireland, President of the Community Services Association, CCCCSA, at the request of the Chancellor's Office. The paper is intended to serve as background information for policy decisions regarding the financing of community services.)

The January staff report to the Board of Governors on the Community College Long-Term Finance Plan makes several points that are particularly significant.

1. The mission and goals of California Community Colleges should be maintained. This means that our colleges will continue to be strongly community-oriented.

2. Included in the Board of Governors' goals that are of prime importance for finance proposals is the concept of diversity of programs, methods, and services.

3. Recognition is given to the fact that passage of Proposition 13 carried with it no mandates to change the basic purposes of California Community Colleges or to decrease services or to eliminate certain individuals from eligibility for services.

In spite of the foregoing philosophy, Community Services has been cut so drastically that there has been a negative impact upon the community-based orientation of our colleges.

This paper attempts to present a realistic picture of what has happened to Community Services and indicates why cutbacks in this area are detrimental.

Budget Cuts

In spite of the fact that State budget allocations provided funds equivalent to 92% of the 1977-78 Community Services budgets, the average budget cut for Community Services was at least 50%. According to the fall CCCCSA Survey, 1978-79 budget cuts for Community Services ranged from 13% to 96% for those offices not eliminated. Five colleges reported that their Community Services program was eliminated completely. Budget cuts per college averaged 57% of their 1977-78 budget. For the colleges investigated in an El Camino College survey, the total Community Services budget was $18,330,616 for 1977-78 and $9,081,933 for 1978-79. The average budget per college for these two years reflected a 51% reduction.

Program Reductions

According to the CCCCSA and El Camino College surveys, programs and services were curtailed or eliminated at the reporting colleges including a wide variety of cultural events--theatre, art, music, dance, and art gallery exhibits.

Public events such as films, lectures, health fairs; and other services such as career centers, women's programs, minority programs and speakers' bureaus also were cut drastically. Most severely curtailed were services and programs for senior citizens.

Programs to be continued, although not at a pre-Proposition 13 level, include self-supporting programs, non-credit Community Services classes, and the use of campus facilities on a fee basis.

Community Services fee courses increased more than twenty percent this fall. Many colleges transferred non-credit courses that were previously eligible for state apportionment to Community Services. Classes for which fees are charged increased 76%. (CCCCSA, Feb 1979) Community Services courses as constituted in the pre-Proposition 13 era were reduced. Therefore, it would be more accurate to conclude that "fee" courses increased as colleges sought alternative means of funding certain types of non-credit courses. On the other hand, traditional Community Services courses decreased by 24%. (El Camino survey, Nov. 1978)

It would appear that the only Community Services programs likely to survive under the present circumstances are those that will be self-supporting. As a result, cultural programs will be most drastically reduced in the post-Proposition 13 era. In addition, programs for those unable to pay will not survive.

Staff Reductions

The El Camino Study and the CCCCSA Study provide evidence that indicates the passage of Proposition 13 resulted in Community Services staff reductions. According to the El Camino College survey, 635 full-time employees for 1977-78 were reduced to 173 in 1978-79--a 72.8% reduction.

The Consequence of Cutbacks

It is important to recognize that drastic reductions in Community Services are detrimental to the maintenance of a community-based college system and to the constituencies served by the colleges. Approximately 3.8 million people--an unduplicated estimate--were served annually by Community Services classes and programs prior to the Passage of Proposition 13. (Sharon, 1979)

Senior Citizens

Community Services cutbacks have had a severe impact upon senior citizens. (Hamer, 1979) Served by Community Services more than by any other segment of the college, the mobile but economically-disadvantaged senior citizen as well as senior citizens in rest homes and convalescent hospitals have had their educational, cultural and recreational opportunity dramatically reduced. When Community Services is forced to abandon all programs that are not financially self-supporting, seniors' opportunities to take advantage of education become limited.

Cultural Programs

> Many community colleges provide the only local facilities for entertainment and cultural events. All community colleges need vehicles for the expression of educational efforts in drama, music and athletics. These events constitute entertainment for the community, while being instructional for students. (Finance Project Status Report, 1978)

Cultural programs have been cut more severely than any other Community Services program. According to the El Camino survey, cultural programs have been cut from 60 to 75%. A Chancellor's Office statewide survey of Community Services indicates that in 1977-78, the pre-Proposition 13 era, Community Services provided in excess of 15,000 cultural activities. There has been a 60-75% reduction in such cultural activities this year. These reductions have impact throughout the state, but particularly in those communities where a college is the prime provider of cultural activity.

Therefore, another result of Community Services cutbacks is cultural deprivation for senior citizens, for those who are economically disadvantaged, and for those communities that depend on the college for cultural enrichment.

Public Use of Campus Facilities

The permissive nature of the Civic Center Act, states that governing boards may grant use of buildings and grounds upon such terms and conditions that the board deems proper. It is not mandatory that the board grant any use of school property for the above described public purposes. In lieu of a commitment to fund public use of college facilities, there are two possible alternatives: either 1) totally closing down use of school property for public purposes or 2) only serving that segment of the public that can afford to pay all of the costs incurred for facility usage.

Closure of campuses to use by the public would deprive citizens of facilities that their tax dollars helped to create. Serving only that segment of the public that can afford to pay all of the costs incurred for facility usage is not consistent with the will of the people. Legislation (AB 2043) would have removed the requirement that the use of school property be free under the Civic Center Act. Pressure from public groups, entitled to free facility usage under the Civic Center Act, resulted in the elimination of any reference to the Civic Center Act in AB 2043.

Thus, a final result of cutbacks in Community Services is restriction of public use of campus facilities and/or imposition of fees for such usage that is not in harmony with the will of the people.

Balanced Program Benefits

The benefits to be derived from a meaningful and balanced Community Services program include:

1. Community Colleges will be able to meet the lifelong learning needs of the state's citizens.

   This will provide, "an avenue for the citizenry of the state to develop the coping skills to achieve and sustain a suitable quality of life in an era of growing economic tension and disjointedness," and "a means to focus citizen energy and support on the critical national priorities of this time, and increasingly, the future..." (Kavanaugh, 1978).

2. Cultural, educational, and recreational programming can be reestablished for senior citizens.

3. The diversity of college programming can be increased to meet the cultural, educational, and recreational needs of the people. Not only will such diversity give balance to college programs, it will give balance to peoples' lives.

4. Campus facilities can be recognized as a civic center, and facility utilization by the public can be maximized.

   The stakes are high. Not only for the 106 institutions that form the largest single system of higher education in the world, but for the millions of Californians who find the needs of the future suddenly the needs of the day and will demand the educational resources to meet those needs. More than education is at stake for our citizens--the whole pattern of their lives in these uncertain times is in the balance. (Kavanaugh, 1978)

Future Funding for Community Services

Community Services must economize and reevaluate its programs, as all segments of the college must do. But, it also must be funded at a level that will enable Community Services to continue to function and be responsive to community needs throughout the State.

Although limited data is available, it appears that Community Services provides highly cost effective programs. To illustrate, Rio Hondo College has investigated cost effectiveness by evaluating the Community Services programs in relation to cost per contact hour. The college Annual Report shows "...a continuous reduction of the cost per ceontact hour in the use of local tax dollars, starting at 83¢ in the base year 1974-75 and dropping to 55¢ in 1977-78."

An equitable means of funding highly cost effective programs is particularly important in a time of financial restriction.

Participant Fees

Along with the reduction in Community Services budgets has been an increase in participant fees. There is nothing inherently wrong with charging fees for participation in Community Services programs. In fact, many Community Services programs can and should be self-supporting. However, there are other programs that cannot and should not be financially self-supporting. Programs for the economically disadvantaged, handicapped and seniors are among those that neither can nor should be self-supporting. And, these are the programs that Community Services is forced to eliminiate in the face of severe budget reductions.

> Is the education of adults worth while? Is it a part of the fundamental responsibility of American higher education? If the answer is "yes," and it should be, support ought to be forthcomming....Why should adult education pay its own way? Undergraduate, professional, and graduate education do not pay their own way. (Harrington, 1977)

"The common wisdom today is that, with the loss of the restricted 5-cent Community Services tax, the Community Services function is lost." (Welch, 1979) And, survival is defined only in terms of programs that can be self-supporting. Rather than fixating on the dichotomy of "no tax--no program" or "no self-supporting program--no program," it should be noted that the Community Services function is alive and well in the other 49 states. Perhaps we can gain insight into how Community Services should be funded in California from how it is funded in other states.

Community Services Funding: A National Perspective

"State tax funds are used nationally for Community Services and education. All states devote tax revenue from general funds for the support of the Community Services function." (Welch, 1979) A nationwide survey of 770

public community colleges showed that greatest reliance was placed on tuition and fees with state tax funds ranking a close second. Western colleges, with California's restricted tax leading the way, claimed greater use of local tax funds followed by state tax funds. (Fletcher, 1978) "Community Services is no more expected to pay its entire way through fees than is the student service function or the transfer function or the vocational function." (Welch, 1979)

Therefore, while it is perfectly appropriate for California to fund Community Services in part by participant fees, it is equally appropriate to fund Community Services in part by general fund monies.

The Local Option Issue

A major concern centers on the state giving direction for the funding of a particular college function in a time when local control is being emphasized. Such direction is justified.

California educators have not been accustomed to recognizing the Community Services/Community Education function as an integral college function because of the separate and unique permissive tax that has funded Community Services since the 50's. In general, the traditional functions of higher education are nationally recognized as "...teaching, research, and service. Today many colleges and universities are placing greater emphasis on the third mission of service to the communities in which they are located." (Forum of Liberal Education)

In addition, "Community Services has been and should increase its role as a developer of matriculated student enrollment." (Welch, 1979)

> Men and women not registered for any course account for much of the attendance at art exhibitions, concerts, dance and dramatic performances, and fine arts lectures on campus....This leads adults to enroll in credit and non-credit courses. (Harrington, 1977)

For example, a Rio Hondo College survey revealed that "10% of the respondents enrolled in credit classes after first attending Community Services events or non-credit classes."

> The time when the development of enrollment through community education is most vitally needed is when matriculated students are few, and competition for these students is most keen. This seems likely to be a description of the next ten years. So from a cold-blooded tactical point of view, this is a poor time to reduce what should be the development arm of our institutions. (Welch, 1979)

State encouragement of Community Services is appropriate in order to help the California educational system recognize the national trend that accords Community Services status as a major college function and a builder of collegiate enrollment.

Furthermore, some state encouragement of or protection for the Community Services function would actually preserve the concept of local strength rather than destroy it. It would affirm state commitment to local responsiveness in education.

Community Services has the unique capability of responding immediately to community needs. Extremely flexible by nature, Community Services can and does work directly with local constituencies to determine non-credit educational, cultural, recreational, and community development needs that can be met by the community college. Community Services has the capability to respond more quickly and more efficiently to these local needs than any other segment of the college. In fact, it can be said that Community Services provides the best and perhaps the only means of retaining local flexibility in an age of increased state centralization.

Funding Proposals

Incentives could be provided for those colleges that positively exercise their local option to recognize Community Services as a legitimate college function and provide funding accordingly.

To illustrate, the state has already provided the equivalent of 92% of the 1977-78 Community Services budget in the 1978-79 fiscal allotment. Reductions that Community Services faced this year would not have occurred if local boards and administrators had gone along with the spirit of this allocation and provided adequate funding for Community Services. However, it appears that the fact that the state provided nine-tenths of 1977-78 Community Services in the 1978-79 block grant was not common knowledge. Confusion existed with regard to many aspects of the short-term finance plan. And, the enormous confusion resulted in drastic cut backs in Community Services. Therefore, given the value of Community Services to the constituencies served by the college and to the community-oriented approach to community college education in California, it would be appropriate to provide incentives for local boards and administrations to "keep the spirit" inherent in the 1978-79 state block grant rather than devastate a major college function. The request for such a plan is not a request for an enormous change in the spirit of current community college financing. Rather, it is a means of rectifying a problem that occurred as a natural result of short-term financial planning.

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APPENDIX C

INTERDISTRICT ATTENDANCE

Background

Historically, district boundaries for community colleges often have been more closely related to political subdivisions than to natural service or enrollment areas. By law, districts must enroll their own residents, but need not enroll those residing in other districts. As a result, some students have been restricted from attending a community college they wished to attend. In many cases, these artificial boundaries were removed through interdistrict agreements providing student access to programs and the necessary cost reimbursement from one district to another.

Where interdistrict agreements exist, colleges have developed relative to natural service areas. In areas where districts did not correct for service areas through interdistrict attendance agreements, districts have developed a physical plant and staff based on a constrained population.

Prior to the passage of Proposition 13, expenditures for interdistrict tuition transfers were borne in varying degrees from state and district sources. The relative share of each source depended largely on the cost of instruction at the district of attendance, and the wealth of the district of residence. In general, state support would go directly to the district of attendance in the form of a Chancellor's Office accounting adjustment which varied in amount depending on district relative wealth -- from a basic grant ($125 per ADA) for a high wealth district, to approximately $1,500 for the low wealth district. The local portion was generated from property taxes at the district of residence and transferred (in the form of a "tuition transfer") to the district of attendance pursuant to an interdistrict attendance agreement. Education Code specifies that total per ADA interdistrict transfer cannot exceed the district of attendance current education expense adjusted for use of building and equipment.

SB 154 funded community college districts on the basis of a target budget which included the state funds at the district of attendance while the local funds were still included in the target of the district of residence. The block grant method of distributing funds in SB 154 made no provisions for reimbursements due to changes in ADA workload over the base year. Under the procedure, no district was financially advantaged or disadvantaged as long as the base year mix of district and nondistrict resident ADA remained unchanged over the base year. Districts serving more incurred additional expense. These savings or losses, in many cases, were defrayed voluntarily through interdistrict transfers. If no interdistrict agreement existed, or was cancelled after Proposition 13, little incentive was provided the receiving district to accept interdistrict students beyond that for the prior year.

At present, more than 71,000 or seven percent of students statewide attend districts other than those in which they reside. It is impossible to estimate the number of students whose access to a community college has been constrained by existing district residence requirements. One partial measure of this is the number of individual permits (to attend another district) granted and denied. If denied, students may appeal to the County Board of Education. As noted in Table 1, four of every five requests for individual interdistrict permits are granted. There appear to be less than 4,000 permit denials each year throughout the state. Students appeal denials only in a few counties, with a success rate of around eighty percent.

Interdistrict attendance has become an increasing proportion of statewide attendance during the past several years (See Table 2). The numbers of such students were relatively constant at the beginning of this decade. Consequently, interdistrict attendance became confined solely to commuters then declined by one-fourth in 1972. Since then, however, the number of such students has doubled and now comprises six percent of total ADA statewide.

Passage of Proposition 13 and the resulting fiscal relief may have aggravated interdistrict attendance problems. Interdistrict cost agreements have declined by 17 percent, program agreements by 10 percent, and individual permits by 21 percent during the past year. As many as 46 districts report being affected last fall by these reductions. Some restrictions on the interdistrict flow of students have resulted. In general, however, the termination of interdistrict agreements does not appear to have altered significantly interdistrict enrollments statewide. In 1977-78, more than 43,000 ADA students statewide were involved in interdistrict attendance. This attendance declined by 6 percent to 41,000 ADA during fall 1978.

Students enrolled on an interdistrict attendance basis are more often white and male, take relatively lighter academic loads, and are typically older than the resident student population (see Table 3). Experience within the Los Angeles District, where free-flow among nine campuses is allowed, suggests that older, minority females attending part-time are the least mobile while young, white males are the most mobile.

There is wide variation in the proportion of any district's enrollment attending from another district (see Table 4). As expected, these proportions are greatest in urban and suburban areas where commuting between residence and college is possible.

TABLE 1

INDIVIDUAL INTERDISTRICT PERMITS
REQUESTED, GRANTED OR DENIED
(Sample of 23 Community College Districts)

Permits	1977-78	1978-79
Requested	14,486	13,288
Granted	12,063	10,641
Denied	2,423	2,647
Appealed	183	283
Granted	154	221
Denied	29	62

NOTE: Districts included in sample represent about half of community college enrollments.

TABLE 2

TOTAL ANNUAL AND INTERDISTRICT ADA
COMMUNITY COLLEGES
1968-69 through 1977-78

Fiscal Year	Total ADA	Interdistrict ADA	Interdistrict ADA as % of Total ADA
1968-69	418,805	23,197	5.5
1969 -70	464,565	23,207	5.0
1970-71	517,339	25,295	4.9
1971-72	552,208	26,645	4.8
1972-73	573,693	20,837	3.6
1973-74	609,459	22,292	3.7
1974-75	695,374	26,311	3.8
1975-76	768,713	30,471	4.0
1976-77	721,884	42,754	5.9
1977-78	718,303	43,804	6.1
1978-79 **	666,891	40,555	6.1

**--First Period

TABLE 3

COMPARISONS OF TOTAL, RESIDENT, AND INTERDISTRICT ENROLLMENTS
COMMUNITY COLLEGES
Fall 1978

Category	Total	% of Knowns	Resident	% of Knowns	Inter-district	% of Knowns
Sex						
Male	462,357	46.6	403,450	45.8	32,638	55.0
Female	530,792	53.4	478,172	54.2	26,750	45.0
Unknown	5,895		4,875		409	
Total	999,044		886,497		59,797	
Race						
American Indian/Alaskan Native	12,817	1.4	11,318	1.4	898	1.7
Asian/Pacific Islander	36,588	4.1	30,057	3.8	1,641	3.1
Black	82,726	9.2	75,529	9.5	3,878	7.3
White	628,030	70.2	557,525	70.4	38,717	72.9
Hispanic	98,035	11.0	87,946	11.1	5,823	11.0
Filipino	8,740	1.0	7,887	1.0	445	0.8
Other	27,256	3.1	21,973	2.8	1,693	3.2
Unknown	104,852		94,262		6,702	
Total	999,044		886,497		59,797	
Full-time/Part-time Status						
Full-time	257,936	25.8	233,764	26.4	8,224	13.8
Part-time	741,108	74.2	652,733	73.6	51,573	86.2
Total	999,044	100.0	886,497	100.0	59,797	100.0
Age						
17 and under	22,203	2.2	19,754	2.2	706	1.2
18	92,405	9.3	83,983	9.5	3,670	6.2
19	100,457	10.1	91,257	10.3	4,063	6.8
20-24	274,970	27.5	242,038	27.3	16,291	27.2
25-29	162,961	16.3	142,386	16.1	11,433	19.1
30-34	109,156	10.9	96,188	10.9	7,767	13.0
35-39	66,722	6.7	59,197	6.7	4,615	7.7
40-44	49,877	5.0	44,538	5.0	3,473	5.8
45-49	39,255	3.9	35,035	3.9	2,799	4.7
50 and over	81,038	8.1	72,121	8.1	4,980	8.3
Total	999,044	100.0	886,497	100.0	59,797	100.0

NOTE: This sample comprises five-sixths of all 1978 Fall Student Enrollments. The following districts are excluded: Barstow, El Camino, Foothill/DeAnza and San Francisco.

TABLE 4
RESIDENCE, FALL 1978
(Sample of Community College Enrollment)

District	District Resident	Inter-District	Non-District	Other States	Foreign Country	Unknown	Total	Inter-district as % of knowns
Allan Hancock	10,558	184	0	176	53	0	10,971	1.7
Antelope Valley	5,412	85	103	40	13	1	5,654	1.5
Cerritos	16,798	3,577	1	56	267	14	20,713	17.3
Chaffey	1,184	560	0	60	87	946	11,637	5.2
Coast	54,864	6,826	0	0	571	105	62,366	11.0
Compton	4,664	58	71	26	303	154	5,276	1.1
Contra Costa	32,676	284	9	192	153	0	33,305	0.9
Fremont-Newark	6,421	163	13	53	53	0	6,703	2.4
Long Beach	24,885	2,986	96	330	89	0	28,386	10.5
Los Angeles	117,261	5,921	6	373	829	133	124,523	4.8
Mira Costa	5,190	1,016	19	0	49	211	6,485	16.2
Mt. San Jacinto	2,468	23	0	41	13	0	2,545	0.9
North Orange (credit only)	27,598	2,339	0	0	0	562	30,499	7.8
Palomar	10,774	3,181	2	256	141	28	14,382	22.2
Pasadena (credit only)	14,908	2,639	4	229	55	623	18,458	14.8
Peralta	28,690	1,766	12	203	67	12	30,750	5.8
Riverside	12,325	961	191	0	212	0	13,679	7.0
Saddleback (credit only)	17,973	130	0	0	0	71	18,174	0.7
San Jose	16,531	1,926	0	150	218	0	18,825	10.2
Santa Clarita	2,276	187	0	45	22	0	2,530	7.4
Santa Monica	9,113	8,886	0	0	0	1,179	19,178	49.4
Sequoias	6,581	430	1	80	30	0	7,122	6.0
Sierra	6,032	826	64	72	0	6	7,000	11.8
Solano	8,220	70	0	273	19	1	8,583	0.8
South County	15,396	1,532	0	113	76	4	17,121	9.0
West Kern	889	65	14	66	24	0	1,058	6.1
Total	468,477	46,421	597	2,834	3,344	4,050	525,923	
Percent of knowns	89.8	8.9	0.1	0.6	0.6			
Total for rest of sample	427,133	24,816	6,350	5,829	3,232	5,761	473,121	
Percent of knowns	91.4	5.3	1.4	1.2	0.7			
Sample Total	895,610	71,437	6,947	8,663	6,576	9,811	999,044	
Percent of knowns	90.5	7.2	0.7	0.9	0.7			

NOTE: Differs from Table 3 in that a number of interdistrict students, not correctly identified in Table 3, were added here.

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Impact of Policy Change

Free flow of students between districts would enhance access. It also, however, would cause significant enrollment shifts among certain districts which, in turn, could result in (a) temporary under- or over-utilization of staff and facilities, (b) racial and ethnic imbalances, (c) a significant loss of students in certain small districts, (d) counter-productive competition, (e) discrepancies between trustee areas and the actual areas of student enrollment, and (f) for some colleges, a change in the "community" served.

Enrollment Shifts

Liberalization of district residency requirements only applies to areas within commuting distance (adjacent districts) and not to the state as a whole. Currently, if a student in Santa Barbara wanted to attend a San Diego community college, the student would not commute, but rather, move and establish his or her own residence in San Diego and then be eligible to attend a San Diego College. Therefore, the issue of inter-district attendance essentially applies only to those who would attend a community college on a commuter basis while maintaining the same residence.

If current constraints are removed, student demand will change. Therefore, college enrollment shifts are possible. Unfortunately, it is not possible to predict the exact impact. It would not be advantageous to have some colleges emptied and other colleges experience huge enrollment increases (particularly in terms of prior capital investment).

Twenty-one (of 26) districts responded to a request to estimate the potential impact of a free-flow policy. Estimated enrollment changes range from a 30 percent loss at Mt. San Jacinto to 30 percent increase in students at both Cerritos and Santa Clarita. Estimated changes include:

Mt. San Jacinto	-30%
Solano	-12%
Compton	-10%
Los Angeles	- 8%
Fremont-Newark	(Significant loss)
Antelope Valley	- 3%
Contra Costa	- 2%
San Jose	(probable loss)
Peralta	(Negligible increase)
Riverside	(small increase)
South County	+ 1%
Allan Hancock	+ 2%
Santa Monica	+ 4%
Coast	(Significant increase)
Cerritos	+30%
Santa Clarita	+30%

Five responding districts were unable to estimate the impact of free-flow upon their enrollment. Six districts anticipated an impact on their ADA of greater than five percent (four with negative impact, two with positive impact). The remaining districts indicated the impact would be five percent or less. Obviously, there is no way to document the potential impact and, in each case, it only represents the district's best guess.

Racial and Ethnic Balance

Proponents of free-flow argue that attendance boundaries create de facto segregation, particularly where district populations are homogeneous. If free-flow was instituted, students could choose the college they wish to attend. Therefore, districts with homogeneous populations could attract other students and obtain a better ethnic and economic balance.

Opponents of free flow argue that removal of district boundaries would result in urban colleges losing non-minority students. That is, anglo students will tend to attend suburban colleges and urban colleges will be left with only minority students. In some multi-college districts, this movement is already possible due to their policy of free-flow among the district colleges. For some rural areas, it is argued that the opposite will happen. That is, some rural colleges will lose their minority students to another college if students are allowed to attend the college of their choice. Consequently, integration in some areas is only possible through maintenance of mandatory attendance policies.

The Los Angeles experience indicates that in areas where both minority and non-minority reside, more than 90% of the latter attend a college other than the one closest to their residence. Significant increases in the proportion of minority enrollments at Los Angeles East, City, and West colleges, it is argued, are not simply a function of the changing demography surrounding each of these three colleges.

Competition

One effect of free-flow is that colleges within close proximity will be placed on a competitive basis. Competition can be healthy provided that certain concerns are addressed. One concern is that developing, or new, colleges should be permitted to become comprehensive so that they can compete on an equal basis with their neighbors. A second concern is that recruitment for students be based on good information. Third, "marketing" efforts should not result in a reduction of attention to local needs. If these concerns can be addressed, competition may provide an incentive to colleges to achieve excellence in education.

College Mission

If a college suffered a significant enrollment decline as a result of free-flow, it is possible that the college would have difficulty main-

taining its mission as a comprehensive college. That is, the enrollment decline would cause a reduction in funding which in turn means that programs must be eliminated. With sufficient program eliminations, a college is no longer a comprehensive institution. The survey indicates that at least one college, Mt. San Jacinto College, might be in this position.

Therefore, any policy introducing free-flow should include steps to insure that all colleges are capable of providing a comprehensive program.

APPENDIX D

LONG-TERM CAPITAL OUTLAY
PLANNING AND FINANCE

(These preliminary position papers have been prepared for use by the Chancellor's study group on capital outlay planning and finance.)

PART I

The passage of Proposition 13 eliminated the local community college district's ability to raise local property tax monies to match State appropriations for funding facility construction under the Community College Construction Act. In order for local districts to provide needed new facilities, and to carry out major maintenance for existing facilities, a new and reliable source of capital outlay funds must be found.

Demographic studies, done on a State-wide basis, suggest that there will be relatively less need for construction of new community college facilities in the 1980's. However, a summary, prepared by the Chancellor's Office Facilities Division, of the State's community colleges capital outlay needs for 1980 through 1984 indicates a total need of more than $500,000,000 in capital outlay funding for the five-year period through 1984. More than $340,000,000 of this total is for projects that would qualify for state funding under the Community College Construction Act.

While the need is not as great as it was twelve years ago when the Community College Construction Act was initiated, there is still a considerable amount of capital construction to be done to meet the facility needs of the local districts. These facility needs cannot be met without a strong and reliable State funding commitment, and a revision in law that allows local districts alternatives to the now defunct method of raising their matching share.

It is obvious that if the local districts are to adquately serve their clients in the years ahead, a new and reliable long-range finance mechanism must be developed. Providing adequate educational housing is fundamental to the local district's responsibility, and funding for this housing should therefore be a part of any new long-range plan for financing.

The capital outlay funding needs of the State's community college fits well within the ganeral philosophy as stated in the Chancellor's Staff Proposal to the Board of Governors on long-term financing.

> "The long-term community college finance plan is designed to address conditions anticipated during the 1980's. The plan seeks stable, cost-related financing, in order to create incentives for community college districts to deliver more effectively those educational services required in their communities. Districts would be afforded greater flexibility in using their resources and college accountability would emphasize long-term planning and results, rather than short-term efforts as at present."

In order for the local districts to move ahead with construction of facilities as called for in their five-year plans, not only must a reliable source of State funds be established with alternative methods of raising local matching funds, but certain changes in the regulations of the Community College Construction Act should be made. While the Construction Act has served reasonably well over the past decade, it can become an even better instrument for State and local capital outlay planning.

Local districts are concerned about the amount of documentation required, and the increasing involvement with the details of local planning by State agencies other than the Chancellor's Office. Changes should be made, either by statute or edict by those with the proper authority, that would assure the local districts that once they have met the criteria for funding, and undergone project review by the Chancellor's Office, that no other State agency will duplicate the work of the Chancellor's Office staff in a project by project review.

This is not to say that the local districts do not recognize the function and authority of the Department of Finance in establishing the total dollars available for community college capital outlay under the direction of the Legislature and the Governor. However, it does speak to the growing concern of local districts of what appears to be a continual erosion of local prerogative.

With the limited human and financial resources available to the Chancellor's Office, it is not possible for the Chancellor's staff to provide direct assistance for facility planning to local districts. Smaller districts that do not have their own facility planning departments could certainly use consultative help from the Chancellor's staff specialists in their planning efforts. All districts, regardless of size or staff, could benefit from an arrangement that would allow Chancellor's staff to spend more time in the field working with local district people on local planning problems.

In order to provide time for Chancellor's staff to spend more time in the field, a re-evaluation of staff workload should be made. A hard look by staff, with help by advisors from the field, at the things that are really important in the educational facility planning process could reveal ways of determining a local district's eligibility for funding, and whether or not they have met the prescribed planning criteria, that would not require the untold hours that are now spent by staff in checking the material required from local districts. More staff time spent in the field working with staff at the local level should result in better planning documents that require less checking, fewer letters and phone calls to local districts, and better educational facilities.

Under this proposal the Facilities Planning Staff of the Chancellor's Office would continue to be a facilitating, coordinating, and planning support group for the State for obtaining maximum value from State funds with the appropriate return of control to the local district. Under this proposal, the emphasis of capital outlay planning could be shifted over a reasonable period of time from a detailed pre-check of each individual project to an emphasis on space management and facility utilization.

In order for the State's seventy community college districts to meet their facility needs for the next several years, it is imperative that a predictable and reliable source of capital outlay funds be established. The State of California should make a strong commitment to this need by providing the State's share from the "COFPHE" fund, and/or the State General Fund. These funds should not be up for negotiations each year, but should be provided by statute on a reliable basis; thereby providing security to the local districts so that their long-range planning can be carried out efficiently and with cost effectiveness. The amount of money needed each year can be established by the Chancellor's Office based on the local district's five-year plans approved by the Chancellor's Office. Local districts should continue to be responsible for their matching share of money for capital projects approved by the Chancellor's Office and partially funded by the State.

The present "Relative District Ability" (RDA) should be revised to reflect the financial conditions of the local districts under the constraints of Proposition 13. A revised RDA might be based on income per some unit of measure rather than on assessed wealth per ADA in order to equitably serve small and large, and rich and poor districts.

Recommending that local districts be responsible for their matching share for capital outlay under a revised RDA, and recognizing that local districts no longer have the ability to raise a local tax for their matching share indicates confidence in the local Boards of Trustees and their administrators and staff to develop local funding sources to meet their requirements.

The California Community Colleges are in control of extremely valuable resources in land and buildings. It is possible to put these resources to work, as the private sector does, to raise capital for construction. Local districts can form non-profit corporations that can sell revenue bonds. Local districts can borrow from the private sector. Local districts can lease buildings with option to purchase. This would require a change in Education Code Sections 81526, 81527, and 81528 to allow for the leasing of buildings as well as relocatable structures. The Construction Act should be modified to assist local districts with funding for leasing and/or leasing with option to purchase. This assistance could, in many cases, provide facilities at less cost than new construction, and would certainly be in keeping with the notion that local districts examine all alternatives before planning new construction.

Funding for leasing would also provide the flexibility needed by local districts to meet community educational needs in a realistic time frame, and without committing large capital expenditures. Local districts can enter into agreements with other local agencies for joint use of buildings. Local districts can lease land, not presently in use, to private developers on a long-term basis, and in payment for the use of this land, the private developer can build facilities for the district, at no cost to the district, on other district-owned land. Under this arrangement the district retains title to the land, and at the end of the lease, all of the buildings built by the developer for this use become the property of the school district. Local districts can entertain contributions. Local districts can obtain Federal grants. Local districts can use reserves. Local districts can use general fund monies.

In addition to these methods for local districts to meet their facility funding needs, the Construction Act funding limitations should be changed to allow a local district to borrow from the State all or a part of the local district's matching share. The length of the pay back period, and the rate of interest is to be established cooperatively with the district and the Chancellor's Office, and based on the resources of the district.

As community college buildings and equipment grow older, an increasing emphasis must be placed on funding for both on-going preventive maintenance, and major maintenance. There are many millions of dollars invested in mechanical equipment alone in the State's community college buildings that will require repair or replacement within the next ten years. With inflation and decreasing income, local districts will be hard pressed, without financial assistance, to properly maintain their buildings and equipment. Prudent management at the local level will insure that preventive maintenance is provided for in the local budget considerations, but financial help for refurbishing, alteration, and major maintenance will be needed.

The Construction Act should be modified to allow local districts to submit, in their long-range plans, to the Chancellor's Office, requests for State funding for alteration, refurbishing and major maintenance. It is not practical to subject these requests to the same level of review required for new construction. Therefore, funding for these increasingly important items should be established by statute and placed solely under the stewardship of the Chancellor's Office. A limitation of $500,000 should be set as the amount that could be requested by a local district for a given period of time.

This proposal would remove these items from the present priority considerations. The prioritizing and granting of monies under this proposal would be the responsibility of the Chancellor's Office.

The discussion presented in this paper is in keeping with, and supportive of, item 4 in the Mission, Goals and Priorities statement of the Chancellor's staff report on Long-term Financing which states: "insure that specific college priorities are set locally, by providing districts with more flexiblity to allocate their funds and to plan and manage their operations." It is also in keeping with Education Code Section 81600 which states: "The governing board of a community college district shall manage and control school property within its district."

PART II

Background

Passage of Proposition 13 eliminated the local tax that enabled districts to match state appropriations to fund facilities under the Community College Construction Act. In recent years, the Legislature has appropriated only a portion of the state funding justified by the physical plant utilization standards that implement the Construction Act. The Department of Finance relies on project priorities that have been at variance with those used by the Board of Governors and Chancellor's Office.

The Construction Act emphasizes new construction on college campuses. California demographics suggest there will be relatively less need for construction of new community college facilities during the 1980's. Increasingly, funding is needed for plant maintenance, remodeling or alterations, and lease or rental of temporary facilities off-campus. It is clear that the Construction Act needs to be rewritten and sources of capital outlay support secured.

These issues and possible solutions have been discussed by the Chancellor's study group on long-term capital outlay planning and financing. The following discusses a series of tentative principles which must undergo further review by Chancellor's Office staff and the study group. Staff will present recommendations for Board action in July.

Philosophy

The community college capital outlay program should

(a) provide districts with the maximum flexibility feasible for planning and managing their facilities,

(b) encourage effective utilization of existing college and community facilities,

(c) reduce the existing, detailed state-level project review, by shifting the emphasis of state activity from detailed pre-audits of proposals to post-audits of facility utilization and general space management efforts along with assistance to local districts, and

(d) shift emphasis from specific project review to formula-based determinations of capital outlay need.

In addition, priorities must be explicit and recognize the increasing importance of remodeling, alterations, and major maintenance in contrast to the decreasing importance of new construction. Capital outlay plans would form an integral part of the annual comprehensive plans and updates submitted by districts to the Chancellor's Office under the planning and accountability procedure.

Priorities

Each year the Board of Governors should set capital outlay priorities along with the statewide objectives that initiate the planning and accountability process. Capital outlay priorities are set on the kind and purposes of college facilities. Once set, each priority group could be assigned a differing state/local matching basis to establish desired incentives.

Initially, the priorities in Table 1 are recommended, assuming a two-thirds or 70% state matching policy, consistent with post-Proposition 13 operating budget support patterns.

TABLE 1

PROPOSED CAPITAL OUTLAY PRIORITIES

	Project	State/Local Matching
A.	Activate Space	80/20
	1. Meet safety requirements and correct hazards	
	2. Equip funded projects	
	3. Alter, remodel, or rennovate space due to funded projects	
	4. Alter, remodel, or rennovate for energy conservation	
	5. Provide utilities for funded projects	
B.	Remodel Space	70/30
	1. Alter and remodel classrooms, labs and support facilities, including learning resource centers and libraries for	
	(a) programmatic changes and	
	(b) aging of facilities	
	2. Alter and remodel service facilities (other than theaters, dining areas, physical education, etc.)	
	3. Replace or alter critical utility services	
C.	Build New Space	60/40
	1. Build classrooms and labs	
	2. Build libraries and learning resource centers	
	3. Build academic service facilities	
D.	Balance campuses	50/50
	1. Build physical education facilities	
	2. Build theaters, food service facilities, etc.	
	3. Build maintenance shops and warehouses	
E.	Expand campuses and centers	40/60
	1. Acquire land	
	2. Develop sites	
F.	Build parking and other non-state funded facilities	0/100

Hopefully, these priorities can be fully funded. If, however, state appropriations are less than Board of Governors' requests (the "rule" since 1975), available funds should be allocated proportionately among priorities unless the amounts become so small that the sizes of projects are reduced below their viable minimum. In such cases, the Board would have the option of funding fewer projects at relatively higher rates.

Utilization

Existing techniques of space utilization should be continued, but all off-campus space included and utilization standards reviewed in an effort to identify needed corrections. For example, standards for use of certain laboratory spaces appear to overstate actual need while standards for classroom lecture spaces understate actual need. The result can be the use, by districts, of expensive lab space to hold lecture classes, normally conducted in less-expensive classrooms. Also, alternative utilization standards likely will be needed for analyzing use of those off-campus facilities which are not under control of a district.

Funding Formulas and Project Review

Greater use should be made of entitlement formulas which identify the difference between facility need and capability. This is particularly true of those priorities encompassing many relatively small projects such as alterations, remodeling, and major maintenance. In this case, state-level project pre-audit review would be minimal. Only large new construction projects, perhaps just those exceeding $500,000 in cost, would continue to be reviewed in detail.

Formulas for remodeling, alterations, and major maintenance should be based upon the size, age, and character of facilities along with anticipated future changes in programs to be offered and anticipated enrollments by discipline.

Existing space utilization analyses should be continued for major projects providing instructional capacity. Formula entitlements would determine appropriations in each of the priority areas. Within their appropriations, districts would be required to submit individual projects for review, the rigor of which would vary, depending upon the particular priority. In all cases, review should emphasize post-audit space management, rather than detailed pre-audit project review.

Matching

Some district matching should be a part of every project. However, using the concept of relative district ability (RDA), based upon assessed value per weekly student contact hour, is no longer valid since districts no longer have any local taxing capability. What capabilities existed in the form of revenues brought forward in district target budgets for construction act matching or lease purchases will be reallocated to support of operating budgets once the original obligations on these funds have been fulfilled.

A more appropriate measure of district matching ability would rely on (a) planned use, over a reasonable period, of district reserves previously committed to capital outlay and, possibly, (b) recognition of operating budget revenues per student. Once the matching amount is calculated, however, districts should have the option of determining where and how to produce the actual matching funds. Among these options should be provisions for districts to borrow their matching requirements from the state or secure private support for these purposes.

Level and Source of Funding

Current five-year capital outlay plans of districts indicate a statewide need of $521 million over the next five years. A two-thirds state share results in a 5-year need for $344 million in state funds and $177 million in local funds during this period.

New construction accounts for $250 million or six-eighths of these projects while alterations and remodeling account for $43 million or one-eighth of all projects. Unless reduced by application of new priority criteria, requirements for state-level support appear to exceed revenues expected to be available from the Capital Outlay Fund for Public Higher Education (COFPHE). While entitled to support from this fund, community colleges have never received the share they should have, given statewide need. A simple formula based on comparative capacity/need among the several segments of higher education that use this fund could solve this inequity.

Tidelands oil revenues, the principle source of COFPHE monies, are estimated by the State Lands Commission and Department of Finance at:

1978-79	$ 52.0 million
1979-80	51.4
1980-81	47.6
1981-82	
1982-83	50.0

A gradual decline in annual revenues is expected unless federal regulations controlling the prices at which crude oil is sold are modified. Higher oil prices would result in significantly increased revenues.

It is evident that local and state sources other than COFPHE monies must be sought for even a part of the districts' planned construction to occur.

A number of other sources for capital outlay funding are possible, including:

State general funds
Private funding
Available district reserves
Revenue or general obligation bonds

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